



## Supply Bits

### Integrated Supply...a practice that makes perfect cents

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**M**anaging the supply chain through integrated supply has become popular within business process reengineering because of its direct and almost immediate impact on costs, and therefore, revenue enhancement. It is no wonder, then, that a complex web of buzzwords revolving around this process have found their way into boardrooms, offices and manufacturing floors around the world. In the end, the catchy vernacular comes and goes, but the tactics that improve processes, create efficiencies and save money find their appropriate place in organizations. Managing the supply chain through integrated supply, however you refer to it, is doing just that.

#### What is Integrated Supply?

According to the National Association of Purchasing Management (NAPM), integrated supply is a, "special type of partnering arrangement between a purchaser and a distributor on an intermediate to long-term basis. The objective of an integrated supply relationship is to optimize for both buyer and supplier, the labor expense involved in the acquisition and

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possession of MRO products, items that are repetitive, generic, high transaction, and have low unit cost." Put in simpler terms, integrated supply seeks to reduce waste in the distribution channels through significantly fewer, but closer, relationships between distributors and their customers. Often, these select distributors use their purchasing and materials management expertise to manage the customer's inventory and purchasing over broad range of products in exchange for the increased profit potential and stability of the partnership.

#### Two forms of Integrated Supply

The two dominant forms of integrated supply are the commodity killer and the blanket approach. In the commodity killer, a key distributor is selected as the "owner" of a wide commodity group. All needs within this commodity group are sourced and invoiced by this single distributor. This form of integrated supply narrows the distributor network down from a vast array of distributors to a select few.

The other approach is referred to as blanket integrated supply. In this process, a single "integrator" owns the entire supply chain process for the organization. This is usually a technically oriented third party who handles all commodity groups through one pipeline.

Both approaches significantly reduce the distributor network making controlling, invoicing, reporting, and tracking supplier performance much simpler undertakings.

#### The Buyer-Distributor relationship

Integrated supply changes the very nature of and interaction within the buyer-distributor relationship. The long-term approach requires mutual trust, responsibility, and loyalty instead of the traditionally almost adversarial relationship. A new selection strategy focused on key distributor partners and their value-added services replaces the hunt for the supplier with the lowest price. Historically, there has been limited interaction between buyers and distributors, but integrated supply relationships mandate frequent visits for training and technical support to improve quality, cost and processes. Where quality, delivery and pricing held the highest value in distributor performance metrics of the past, with integrated supply, more emphasis is paid to the process approach including order handling efficiency, customer service, technical support, and geographic range.

The integrated supply approach to managing the supply chain redefines the quantity and quality of distributor relationships. These long-term relationships with a few key distributors lower costs, reduce inventory, and simplify the supply chain process.

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*For more information, visit [www.supplycore.com](http://www.supplycore.com), or contact Matt Provenzano at 800.860.7940. Also, visit [www.isourceonline.com](http://www.isourceonline.com).*